

Management News

Business Conditions and Forecasts

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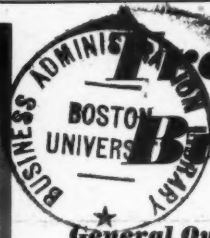
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President's Scratchpad

LAWRENCE A. APPLEY



Trends in Business

General Outlook

The staying powers of the current business boom, it is generally agreed, depend on what happens to steel, automobiles, and building, three basic industries which are now operating at record high levels. The Cleveland Trust Company points out that the potential demand for the products of all three is undoubtedly strong enough to maintain high production for several months to come, but cautions that there is some doubt whether it will be translated into actual purchases. Increased consumer resistance, it notes, has already appeared in the market for homes in the higher price brackets.

Business Week suggests still another possibility: "How much steel can auto makers use? Suppose a lot of other steel-using lines slacken off. The steel industry then might be able to ship auto plants enough for, say, 7 million cars and trucks a year. Would Detroit be able to get the manpower? If not, we would have our first postwar steel surplus. That, conceivably, could come quicker than a building slowdown, but it isn't likely."

Construction

Dollar values of building permits issued in July topped any previous July on record, Dun & Bradstreet reports, and the advance over July of last year was 22.4 per cent. Higher prices, however, undoubtedly accounted for part of the rise. Building materials are now almost 13 per cent higher than they were a year ago, about double the 1939-41 average.

Private residential construction continues at a high level. In June, 93,500 new dwelling units were started, bringing the total for the first six months of the year to 450,000.

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On Uniting the Management Family

ONE quality that is becoming of increasing importance in the character of the successful leader is his ability to influence for the benefit of the economic system the thinking of large numbers of people.

This is because capitalism, or free enterprise, is under attack. Its failures are loudly proclaimed; its achievements rarely praised. It is easy to see how it can, with one serious setback, be drastically modified and changed into a system that is not quite so free, with less opportunity for productive accomplishment. Now in a degree never paralleled in the past the realization of fundamental business objectives (the operation of an effective organization) is being seriously impeded by forces of persuasion exercised upon rank-and-file employees by those who have different and in some cases directly opposite objectives.

If a careful inventory were taken, most business leaders would be astonished to realize how many are the influences that divide them from the main body of people who make up the ranks of labor. Not only are these divisive forces far more numerous today than they were a generation ago, but they are also much more dynamic and vastly more unsettling in their cumulative effect upon management-employee relations. The main body of working people composed of skilled and unskilled labor is reached by influences emanating from such diverse forces as labor unions, the churches, educational institutions, politics, both national and international, and from many other branches of society.

Some labor unions advocate outright nationalization in certain basic industries. Leaders of others seek to establish an entirely new form of totalitarian government. The World Council of Churches only after heroic persuasion by Charles P. Taft consented to modify what had originally been a joint condemnation of capitalism and communism, and extremists in the political field are all too vocal and numerous to require specific citation here. Then there are individuals with a vehement and chronic craving for reform—an appetite whose satisfaction demands continually stronger doses of the same drink. And it is scarcely necessary to point out that many of the young people seeking employment have fixed notions about capitalism and management that do not jibe with the philosophy and objectives of the companies for which they would work.

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President's Scratchpad

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In recent years it has developed that management, to do its job, must learn to cope with disruptions that occur at the working level as the result of basic misinformation on the part of employees. It is the extremely delicate task of management to acknowledge to all who are its public that capitalism and free enterprise must be and always have been subject to modification and reform, and at the same time not encourage the belief that unless perfection is achieved the whole system should be thrown on the junk-heap.

What management seeks in this effort is understanding. It seeks not to ram the free enterprise system down the throats of all, but to make people understand that there are defects in every economic system and that no single reform, however drastic, has introduced or ever will introduce paradise into this very mortal world.

Getting other people to understand one's point of view and to appreciate one's problems is always much wanted. But understanding is almost never to be had for the asking. It comes when the individual who is the object of our attentions wants selfishly to understand. The lesson really becomes vivid to him when he participates through experience in the knowledge that we want him to acquire.

Nor is it the way of men to unlearn in a book what they have learned by experience. For example, it is a rare man who doesn't realize when there is something wrong with his personal life—psychological, physical, or social—things over which he has direct control and which are not strongly affected by his relationships with others. But it is a still rarer man who can by reading a book solve these problems. Insight into one's problems cannot alone provide a solution. That comes, and the full understanding of the problem, too, when a man himself takes positive action to remove the difficulty.

But even when a man understands our point of view and our problems, and even when he understands completely his own problems, he may deliberately behave in such a way as to injure us or injure himself. This is a perversity in man over which theologians have pondered through the ages, and the quality in him that renders him different from all other sentient creatures who act by instinct and are incapable of evil.

It would be well if management kept some of these thoughts in mind as it approaches its educational work in the area of educating individuals in management's problems.

To cite but one familiar example, it is well established in the field of employee training that individuals learn by doing. They learn more quickly through performance than in any other way. If it were possible to introduce some measure of this element into economic education, it is quite likely our efforts would be more successful. It might mean giving employees more responsibility for the economic success of a business—more responsibility in management itself. It would certainly mean getting them to realize in a different way their personal contribution and importance to business success.

It is likely, even if not explicitly stated, that this think-

ing and similar precepts motivated employers who pioneered in fields of employee benefit sharing, annual wages, production sharing, and the like. While these devices are perhaps not the final answers, or even the right answer in getting people to understand management's position, it might parenthetically be pointed out that most efforts of this sort have been measurably more effective than the arbitrary distribution by management of corporate largesse which took the form of the most extreme paternalism and which culminated in highly distressing displays of lack of appreciation on the part of employees in the end.

Most of us in management have learned about management's problems by being managers, not by reading economic tracts or looking at motion pictures. We cannot make everybody a manager, but we can consult people more than is commonly done. We could develop a whole new technique of consultation aimed at giving employees more responsibility as a new human relations assignment in business.

This is a belated and urgent need because management and rank-and-file employees have been like a large family, with management, as the parents, doing all the thinking and employees, as the children, taking little responsibility. Such families are not good ones. They are easily divided and real character rarely develops in the children.

Trends in Business

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National Income

National income for 1948 will exceed last year's record figure even if a recession should set in before the end of the year, the Alexander Hamilton Institute predicts. During the first six months of the year, the national income amounted to \$104.8 billion, as against \$91.9 billion in 1947, a rise of 13.9 per cent; and the June figure of \$18.4 billion was 15.9 per cent higher than the total for June, 1947.

Employment

Employment set a new record for August, when the total number of persons gainfully employed reached 61,245,000, or 1.5 million more than in the same month last year. The drop in unemployment, however, was less than these figures would indicate; the number of jobless was 1,941,000, or only 155,000 less than a year ago. The discrepancy is laid to an increase in the labor force—due to a natural trend toward expansion as the population becomes older, and to the fact the higher living costs are forcing housewives into jobs to help out family incomes.

Sources:

ALEXANDER HAMILTON INSTITUTE
BROOKMIRE, INC.
BUSINESS WEEK
CLEVELAND TRUST COMPANY
DUN'S REVIEW
FEDERAL RESERVE BANK OF
NEW YORK
NATIONAL CITY BANK

Research

Patent Rights of Employees

Despite a general similarity among agreements on patent rights of professional personnel, provisions vary greatly in particulars; and this applies to agreements provided for in union contracts as well as to unilateral agreements between employer and individual employee.¹ Some are broad statements, others explicit; some cover minimum essentials, others provide for almost every contingency that could arise.

Confidential information • Agreements are fairly standardized on this point. The employee acknowledges the confidential nature of information he may acquire concerning the employer's interests, and promises not to divulge it to anyone. Here and there an agreement may go further: The employee may promise not to work for any other person or firm, or even for himself, without written permission. His obligation may extend beyond the period of employment as he may have to obtain written consent subsequently before disclosing information about the former employer's business that might possibly be strategic. He may also have to obtain written consent to work for or otherwise participate in any business which competes or proposes to compete with the company. Before leaving, he may have to surrender all papers and records relating to any business or field of investigation undertaken by the company whether made by him or not.

Report of inventions • The professional employee is required to report all innovations whether developed by himself or with others, and according to some agreements, whether complete or incomplete and whether patentable or not.

It is reasonable that the company should acquire rights to inventions and improvements developed with the use of its money, materials, machinery or other property and facilities, or on company time. This viewpoint is elucidated differently, however, in various agreements: Inventions and improvements may be defined as: (a) those related to the company's products, ingredients, processes, or research; (b) those of use in present operations; (c) those pertinent to possible future operations as well as those related to current activities; (d) all inventions the employee may conceive or develop during the period of employment with the company; (e) only those developed during working hours or on company time, property, or with use of its facilities. The agreement may also include inventions and improvements made subsequently but as a direct result of work done or information acquired during employment with the company, or all inventions useful to the company made within a specified period after the employee leaves.

Assignment of rights • The crux of the agreement is a provision in which the employee assigns to the company all his rights in inventions or improvements, agreeing to cooperate at company expense in ob-

taining domestic and foreign patent rights, and in doing whatever else may be necessary to vest title in the company and to maintain for it the validity and benefits of the invention. The employee may even be called upon after leaving the company to execute patent applications and other documents and to appear at various legal proceedings. Full cost of such activities is borne by the company, and the former employee may be compensated for his time at "a fair and proper rate" or one equivalent to that last paid during his employment with the company.

Assignments of rights to inventions is qualified by excluding inventions made prior to the employee's association with the company. Another modification in the assignment clause may be a release of the invention to the employee after a certain length of time if the company does not move to patent it. This release takes various forms: It may be entirely optional with the company; the company may reserve shop rights; the company may assert its right, within a specified period, to use in its own business any pertinent invention on which the employee acquires a patent, by reimbursing him for expenses incurred in obtaining it. But waiver of the company's patent rights is by no means present in all agreements. Many explicitly state that all inventions remain the property of the employer whether patented or not.

Compensation • The obligation to report information that may be useful to the company and to assign patent rights is considered inherent in the professional employee's job, and his salary rate is predicated upon this potential value to the employer. This is not limited to research and development work, for, as one agreement emphasizes, the technical supervisor is obligated to bring employees and machines under his charge to the highest possible state of efficiency and to discover improvements as well as he is able. Therefore, most agreements specify that the assignment of patent rights is made by the employee in consideration of his employment with the company and that no further compensation is due.

The assignment agreement itself is not a contract of employment for a specified period or at a particular rate of pay; it is merely made in consideration of employment for an indefinite term. The agreement may even specify that the commitments made by the employee are binding regardless of any change in his salary rate.

Union agreements • While unions of professional and technical employees are interested in more liberal terms in these agreements, they have not formulated a clear-cut policy on patent rights. The constitution of the UOPWA-CIO, with which the Federation of Architects, Engineers, Chemists and Technicians has merged, makes no mention of this subject; nor does that of AFL's International Federation of Technical Engineers, Architects and Draftsmen's Unions; even many union contracts are silent on it. Present strategy, apparently, is to negotiate on a case-to-case basis. For the most part, union contracts incorporate existing company policy.

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¹ AMA has available for members numerous unilateral and union agreement provisions on patent rights.

However, when a professional union consolidates its gains, after obtaining, in an initial contract, recognition as a proper bargaining agent, this issue may become a major goal.² Direction of union demands may be expected towards (1) restriction of the scope of the agreement so that it is not all-inclusive of the employee's efforts; (2) inclusion of clauses under which the company waives its rights to any invention it does not patent within a designated period; and (3) provision for the inventor to share in the revenue the company earns from his innovation, or to receive some other financial reward.

EILEEN AHERN

Facing Retirement Facts

One of the immediate effects of the installation of a retirement plan is that it stimulates the company to analyze its replacement and promotion policies and practices. How many will be retired within a given period? Where are they? Must the jobs be filled? With whom? Are replacements being provided for, or must they be brought in from the outside? Is there a real promotion policy adequate to meet the needs? Or do those in spots where they come into contact with top executives get the breaks, while the majority are likely to fall into and remain in stagnant pools? What of original selection and placement?

One company that adopted a plan based on compulsory retirement at age 65 recently analyzed its executive problem and found itself confronted with a curious and somewhat disturbing situation. For convenience, and because such groupings had significance within the company, the executives and the presumable potentials were classified into three groups on the basis of salary:³ (1) the top executive group—those receiving not less than \$9,000 per year; (2) those earning between \$6,000 and \$9,000; and (3) those with salaries between \$3,600 and \$6,000.

Replacement problem • Since age was the compelling factor in retirement, the company first analyzed its problem from that standpoint alone. It found that in group (1), 92 men, the average age was 55 years and that more than two-thirds of the entire group were already over 50. On the basis of age alone, all but slightly more than one-third of the group would have to be replaced within the next decade. Group (2), 162 men, averaged 53 years of age and over half would reach retirement age within the next decade. Since the bulk of the replacements for Group (1) must come from Group (2) it meant that within the next ten years, practically all the positions here might become vacant. Group (3) was composed of 1,700 men, but more than half of them were already over 50; only 260 were young enough, even if otherwise qualified, to fill in the vacancies in Group (2). In addition, most of the younger men were still so far down the line that they were not likely to be available for promotion into Group (2) for another ten years or more.

Promotion structure • Analysis of the promotion structure showed: first, a large group, almost entirely on the bottom, which had reached promotion to

the supervisory rank, presumably on pure seniority, at an age which made further promotion or training for higher executive responsibility out of the question; second, a group whose members had succeeded in being promoted out of rank-and-file positions while they were still young enough for further promotions, but had got stuck in jobs in the \$5,000 to \$9,000 salary range. As an illustration, the average length of service of the men earning \$5,000-\$6,000 a year was 32 years. If one of these had gone to work with the company at the minimum age of 17 years, he would not normally, under the circumstances, be available for a senior position, no matter how good he was, before he was 50 years of age.

The third group, small in number but all-important, included men who had managed to get around the promotional system and make an "end run" which landed them within sight of the goal at an early age. These lucky few were largely those who, as secretary, stenographer, or clerk, had worked closely with a top official. Here they had attracted attention and been able to acquire an all-round training out of the line of normal promotion. "High visibility" had counted heavily. The company's conclusion was that its promotion "system" discriminated against all but clerks, and thus it was depriving itself of the talent to be found among 75 per cent of its managerial and supervisory personnel.

With these facts at its command, the company is now developing plans to overcome its present predicament.

RUTH KELLOGG

Military Leave Policy

The New York Personnel Management Association, which has just completed a survey of the policy of members' companies regarding employees inducted under the Selective Service Act of 1948, reports the preponderance of opinion to be that:

1. Compulsory military training will continue for a relatively long period of time.
2. Military leave pay should not be provided when the employee enters military service.
3. Accrued vacation should be paid when the employee enters military service.
4. Health and accident insurance should be cancelled, but reinstated when the employee returns.
5. Group life insurance may or may not be continued in effect; if continued it should be for 31 days. In any event, it should be automatically reinstated when the employee returns.
6. The company should not pay the National Service Life Insurance premiums for employees.
7. Employee benefits other than group life insurance should be temporarily suspended while the employee is in military service, but service time should be counted as company service.
8. The prevailing rate for the job assigned, plus consideration for automatic, merit and general increases, should be paid the employee when he returns.
9. Replacements should be classified as regular employees and should be given the same benefits, rights, and privileges as the employees they replaced.

The survey covered 81 companies employing approximately 1,014,000 persons.

² See *Unionization of Professional Engineers and Chemists* by Herbert R. Northrup, Industrial Relations Counselors, N. Y., 1946, 52 pp.

³ The salary scale has since been increased.

Listening Post

JAMES O. RICE



Mass vacations • Growing popularity of the mass vacation plan—shutting down the plant for a week or two to get the vacations over at one time—has had some unexpected repercussions, an AMA correspondent reports.

Because the Fourth of July holiday would mean a shut-down anyway, most companies selected the first part of July as the vaca-

tion period, and in preparation for it notified their suppliers to withhold shipments, without giving any reason. In his industry, this correspondent says, the drop in orders was so great that it began to look as though a first-class slump were developing. "With reports of these requests coming in from all over the country," he writes, "the manufacturers got the idea that the business had gone to hell in a hand basket. What happened in this industry is representative of what happened in hundreds of others."

Even if business becomes accustomed to an early July slowdown and learns to allow for it in production schedules, all the difficulties won't be solved, this man believes. Transportation facilities were seriously overcrowded, he points out, and resorts had more business than they could take care of for two weeks, then not enough. "My guess," he adds, "is that we are going to have this annoying situation with us for a long time unless someone works out a scheme for staggered vacations that will not be too expensive."

A fair day's work • Financial incentives seem to be losing some of their potency, reports to AMA indicate.

"We find a decided apathy on the part of our employees," writes the vice president of a manufacturing firm. "Even where they are on an incentive basis they do not strive to go much beyond standard. Their lackadaisical attitude has its effect on the quality of the product, as they seem to have the idea that anything they can get by the inspection will prove satisfactory. In order to overcome this, we have had to increase our inspection service, and naturally that increases our manufacturing cost."

Another company reports that employees seem to take no interest in earning more than a certain amount; when they have made that much under the incentive plan, they knock off for the rest of the week, with the result that absentee figures are soaring. In another case, employees requested that the first 10 or 15 per cent of incentive earnings be guaranteed.

One way to get more production under an incentive plan, some firms say, is to cut down the amount of overtime. Since they have a fixed weekly earning figure in mind, employees then make an effort to step up their incentive pay.

Most companies, however, believe that the real answer will come only through more attention to non-financial incentives. Efforts are being made along three lines:

1. Greater attention to working conditions, relationships between first-line supervisors and their subordinates, and the various morale-building devices.

2. Better discipline.

3. Better communication between management and rank and file.

Cost reduction • Executives often regard cost reduction campaigns with suspicion, because recommendations are apt to imply some measure of criticism of their own practices.

To overcome this difficulty, one company has adopted the following plan: It employs a management engineer as a regular staff member, and farms him out to any department head—or supervisor, for that matter—who feels that the work under his supervision can be improved. The report goes only to the man who suggested the survey—no copies to his superiors.

Quality • Services of sales department executives and market researchers are being increasingly utilized in determining quality standards. The aim is to avoid charging the customer for quality he can't use (for example, longevity in an item that he will throw away after a short time anyway), and to supply high quality where it really adds to sales appeal.

Production Men Will Meet November 18-19 in Chicago

The American Management Association has scheduled its Fall Production Conference for November 18 and 19 at the Drake Hotel in Chicago. Subjects to be discussed will include materials handling, plant layout, financial and non-financial incentives, manufacturing and inspection practices of the armed forces, quality control.

George S. Dively, President and General Manager, Harris-Seybold Company, and AMA Vice President for the Production Division is in charge of the program, assisted by members of the Division Planning Council: John P. Bernard, Executive Vice President, The Sheffield Corporation; L. F. Blackwell, Plant Manager, Pneumatic Sale Corporation, Ltd.; C. P. Boggs, President, Victor Electric Products; D. F. Carpenter, Chairman, Munitions Board of the National Military Establishment; Harold V. Coes, Retired Vice President, Ford, Bacon & Davis; R. W. Cornell, Vice President, The Parker Appliance Company; Stanley P. Fisher, General Manager, Stokes Molded Products; Glenn Gardiner, Vice President, Forstmann Woolen Co.; L. Clayton Hill; J. M. Juran, Chairman, Department of Administrative Engineering, College of Engineering, New York University; Arthur Kelly, Assistant Works Manager, The B. F. Goodrich Company; G. S. McKee, Vice President and Works Manager, Talon, Inc.; F. B. Menger, General Production Manager, Armstrong Cork Company; L. C. Morrow, Editor, *Factory Management and Maintenance*; Earl M. Richards, Vice President in Charge of Operations, Republic Steel Corporation; Erwin H. Schell, Department of Business and Engineering Administration, MIT; and Paul B. Wishart, Factory Manager, Minneapolis-Honeywell Regulator Company.

Activities of the AMA

Henry Howlett to Head Container Laboratories



HENRY J. HOWLETT

Henry J. Howlett, Secretary of the AMA for the past 13 years, has resigned to become President of Container Laboratories, Inc., packaging and packing engineering consultants with laboratories in New York, Chicago, and San Francisco, and offices in Los Angeles and Milwaukee. He will succeed the late E. A. Throckmorton, who was AMA Vice President for the Packaging Division.

As President of Container Laboratories, Mr. Howlett will direct the nation's largest organization serving packaging suppliers and users as consultants on package methods, organization, development, testing, design, engineering and research. The firm was founded in 1923 by Albert W. Luhrs, president chairman of the corporation's board of directors, and is the originator of many package testing devices and methods now used throughout the industry.

As Secretary of AMA, Mr. Howlett was active in the administration of the conference, research and membership service programs of the Association's Personnel, Marketing, Insurance, Finance, Office Management, Packaging and Production Divisions during the period of AMA's growth from 1,500 to 12,200 company and individual members.

He also directed the AMA's National Packaging Exposition, annual trade show at which for the past 18 years the six and one-half billion dollar packaging industry has exhibited developments in packaging, packing and shipping machinery; materials, designs and services, and AMA's Conference on Packaging, Packing and Shipping held each year at the same time.

Mr. Howlett will continue to be active in these functions as a member of the Planning Council of AMA's Packaging Division. He will also continue to conduct a course in packaging development and production at New York University which he inaugurated three years ago.

Before joining the AMA staff, Mr. Howlett served as Vice President of Piggly-Wiggly Stores, Inc., and before that as Vice President and Treasurer of the Repetti Candy Company. With the grocery chain he pioneered self-service grocery stores, and with the candy company he was responsible for the development of the first

moisture-proof candy wrap which made possible the distribution of perishable candy during hot weather, and for the first use in the U. S. of cellophane as a substitute for glassine.

Mr. Howlett began his business career with the American Telephone and Telegraph Company in New York, for whom he developed the slip-carton for shipping telephone books which is still in use. He was born at Brooklyn, N. Y., in 1890 and educated at the Polytechnic Institute. His home is in Garden City, Long Island.

Office Management Meeting To Feature 'Idea Workshop'

An "office management idea workshop," designed to bring to light new ideas for improved efficiency in the office, will be a feature of the two-day AMA Office Management Conference to be held October 26-27 at the Hotel Pennsylvania, New York City. Each of eight speakers will give a five-minute talk describing a new idea he has evolved; following that, there will be general discussion, and members of the audience will have an opportunity to present problems for possible solution by the speakers or other members of the audience.

Other addresses at the conference will be "The Research Approach to Management Planning," by H. A. Finley, Coordination Department—Management Research, Metropolitan Life; "Control Reports Essential to the Office Manager," by Joseph Meister, Assistant Manager, Standardization Division, The Curtis Publishing Company; "Technique of Developing and Using the Office Management Audit," by W. E. Tarr, General Office Manager, The Studebaker Corporation; "Control of Office Costs and Operations," by F. P. Hagaman, Executive Assistant Controller, Esso Standard Oil; "Work Simplification at the Employee Level," by Harry Fite, Director of the Division of Organization and Management, Economic Cooperation Administration; "Budgetary and Staff Control," by L. R. Menagh, Vice President and Comptroller, The Prudential Insurance Company of America; "Appraising the Office Supervisor," by H. W. Hepner, Department of Psychology, Syracuse University; "The Human Factor in Office Efficiency," by Esther Becker, Forstmann Woolen Co.; and "Outlook on Economic Trends," by Edwin B. George, Economist, Dun & Bradstreet.

Coleman L. Maze, Vice Chairman, Department of Management and Industrial Relations, New York University, and AMA Vice President for the Office Management Division, is in charge of arrangements.

Catalogue Issued

Enclosed with this issue of the *Management News* is "New Techniques in Scientific Management," a catalogue of all AMA publications issued between October, 1945, and September 1, 1948. With the 14-year "Management Index," which it supplements, the catalogue provides an up-to-date bibliography of AMA literature.

